

To the Members of the California State Assembly:

I am returning Assembly Bill 1297 without my signature:

Last year California passed tough laws to curtail abusive tax avoidance transactions, to enhance penalties for such transactions and to create a voluntary compliance program. Senate Bill 614 (Chapter 656, Statutes of 2003) also required a report by the Legislative Analyst on the impact of the act within two years.

This measure, at best, is premature and at worst, takes away an important type of indemnity insurance that allows legitimate business ventures to go forward. Should the Legislative Analyst's report demonstrate that these insurance products facilitate abusive tax shelters, I will consider a measure addressing that problem.

Sincerely,

Arnold Schwarzenegger